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**Top Secret**



# STAFF NOTES:

## Soviet Union Eastern Europe

State Department review completed

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**SOVIET UNION - EASTERN EUROPE**

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*C O N T E N T S*

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Moscow Pleased With Portuguese Developments

Heavy Soviet press coverage of recent events in Portugal, reflects Moscow's complete satisfaction with developments. *Pravda* has repeated the Portuguese Communist Party's call for quick punishment of the perpetrators of the coup attempt. The Soviet press has so far refrained from blaming the coup on interference by outside forces, but judging from past Soviet performance, this may not last long.

The turn of events in Portugal is an almost unalloyed blessing for Moscow. The coup attempt lends credibility to repeated Soviet warnings about the danger of counter-revolution and, Moscow hopes, opens the way for the fundamental social and economic transformations that Moscow has cited as unfinished business of the Portuguese revolution. As preliminary Soviet commentary notes, the unsuccessful coup has brought the Portuguese Communist Party and the Armed Forces Movement still closer. Moscow has also noted with approval the Movement's efforts to institutionalize itself, which, given its present good relationship with the Portuguese Communist Party, should assure the Portuguese communists of a continued vital role in the country. Implicit in this commentary is the view that the Portuguese party is playing its cards correctly, and should continue to forgo any grab for power on its own in favor of working with the government as the principal locus of power in Portugal.

As a result of the latest turn of events, the Soviets may be encouraged to become more active in support of the Portuguese government, although their continuing concern to avoid provoking foreign reaction and giving the appearance of violating detente will probably lead the Soviets to keep their activities inconspicuous.

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Czechoslovakia: Economic  
Problems in Slovakia

Newly acquired information sheds some light on the continuing debate over economic issues within Czechoslovak party councils.

An article in the party daily *Rude Pravo* discussed regional failures in last year's plan, but conspicuously omitted any mention of the West Slovak region of the Slovak capital, Bratislava. These two regions--Slovakia's most important industrial areas--apparently contain 31 of the 81 enterprises that did not meet their economic goals. Furthermore, the East Slovak region, which had only five plan failures, was chided because 13 enterprises were allowed to engineer a reduction in their plan goals. About 17 percent of the enterprises in Slovakia failed to meet the plan, as opposed to only 7 percent in the Czech lands.

Slovakia's economic problems have clear political implications. The condition of the economy was apparently discussed in frank terms during the party Central Committee plenum in November, but "failures in implementing the plenum's resolution" required an extraordinary meeting of the Slovak party Central Committee in January. In the interim, some Slovak leaders, including Deputy Premier Durkovic, suggested that structural reforms--not mere exhortation--were needed to solve economic problems, but their views apparently failed to convince the top leadership.

The dichotomy in the performance of the Czech lands and Slovakia has heightened the politically explosive rivalry between the nationalities. As a result of Slovak charges of discrimination, investment in Slovakia has rapidly risen since the

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late 1960s; this has led to Czech grumbling. Slovakia accounts for only one quarter of the country's industrial production, but receives one third of the industrial investment and has been awarded the more recent highly visible industrial projects.

Warnings about the dangers of nationalism are on the increase. Alois Indra, a notorious hard liner and the top Czech in the leadership, has reportedly sought to capitalize on the Czech/Slovak rivalry to strengthen his position in intra-party maneuverings. Party chief Husak, as a Slovak, has to consider the reactions of both a regional and national constituency as he seeks a solution to the economic debate. Husak's lightning visit on March 3 to Moscow may have been made to gain Brezhnev's personal support.

A subsequent meeting of the top party leadership with all the regional leaders on March 12 discussed "implementing the requirements of the November plenums," demonstrating that the economic problems persist and the debate continues.

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Demichev and Soviet Culture: Marking Time?

Since about the turn of the year, Soviet intellectuals reportedly have sensed an air of flux and possible signs of a reappraisal of cultural policy by the regime. The reported appearance in Moscow this week of a new underground journal--*20th Century*--may well be a probe by its chief editor, Roy Medvedev, to test these currents. The unsettled atmosphere in part results from the appointment last November of candidate Politburo member Petr Demichev as minister of culture and the leadership's failure at the December Central Committee plenum to fill the vacancy created by his removal from the party Secretariat.

A number of contradictory phenomena have appeared in the cultural area. In the sectors that are under the close purview of the culture ministry--graphic arts, painting, music, and theater--official policy has taken, since Demichev's appointment, a more pragmatic, sophisticated, and open approach. Both establishment and dissident artists have benefited from the apparently wider limits on what is permissible artistic activity [redacted]

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Other important cultural sectors, especially establishment literature, which is traditionally under direct control of the party Secretariat, are reportedly nearly immobilized for lack of a firm hand. In mid-February, [redacted]

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[redacted] a serious backlog exists in most publishing houses because the regime's censors are receiving no party guidance. [redacted]

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[redacted] Demichev had long been responsible for culture, propaganda, and party indoctrination.

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He was generally considered a moderating influence, despite his orthodox public statements and strong devotion to doctrine.

The purview of senior party secretary for ideology Suslov extends broadly over the cultural and propaganda areas, but the pattern of public appearances by other Soviet leaders suggests that, for the time being, several incumbent secretaries are taking up some of the slack. Demichev's shift to the culture ministry, a post subordinate to the one he held on the Secretariat, was clearly a demotion.

Some observers have ascribed the shift to the leadership's dissatisfaction with his performance in overseeing propaganda and party indoctrination-- areas that have come in for critical attention and are central to the ideological reinvigoration drive under way since last summer. Other reports speculatively linked the shift to a conservative backlash against Demichev's probable intervention last September to permit dissident Moscow artists to hold an open air exhibit after the suppression by local authorities of the artists' earlier attempt at a show.

Whatever Demichev's possible shortcomings may have been in supervising propaganda, as minister of culture he has appeared neither contrite nor as an administrator under the thumb of party conservatives. Demichev's relatively self-assured behavior, both in terms of his more open style of policy implementation and of his reported determination to clean up corruption and streamline the ministry's bureaucracy, suggests that at least for now he exercises considerably more authority than is customary for a minister.

In this, he may be taking advantage of the partial vacuum in cultural affairs that exists on the Secretariat, as well as of his status as candidate

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Politburo member. Sergey Mikhalkov, the chairman of the RSFSR Writers Union currently visiting the US, has privately confirmed that no replacement has been named to Demichev's former slot on the Secretariat, and that as a result the authority of the culture ministry has increased.

There is general, if speculative, agreement among most sources and observers that the leadership's failure to fill Demichev's Secretariat post reflects indecision or even deadlock on whom to choose. The choice may be particularly difficult since the job's control over implementation of cultural policy has a direct bearing on the USSR's image abroad during a time of detente. The same indecision or even deadlock has left the CPSU Central Committee's Propaganda Department without a chief since 1970. Indeed, it took well over a year to get a first deputy chief replaced. The naming of a replacement for Demichev on the Secretariat and the setting of a clear line on culture may have to await the resolution of wider political and possibly policy issues.

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Romania Willing To Help  
Settle Cyprus Problem

In a recent conversation with the US ambassador in Bucharest, Foreign Minister Macovescu reiterated his country's concern over the situation in Cyprus and again expressed Bucharest's interest in playing an active role in settling the conflict.

Macovescu's remarks echoed those of President Ceausescu, who on March 6 pledged that Romania would work to bring Greece and Turkey together. "When there is a fire in the neighborhood, no one can stand unmindful and wait for the fire to engulf others." For this reason Romania suggested that a Balkan conference be held to discuss the problem.

During Macovescu's trips to Athens from February 27 to March 3 and to Ankara on March 7 and 8 he, too, proposed a Balkan conference. Such a conference, he explained, could facilitate the exchange of ideas that might help get things back on track, or at least result in a less strained atmosphere. It was not, he insisted, an effort to replace any other forum for finding a peace settlement. Whatever Romania's motivation, Turkey turned thumbs down on the proposal.

Romania, according to Macovescu, has no pretensions that it could solve or even play a central role in solution of the Cyprus problem. What Macovescu did not say is that Bucharest fears a renewal of hostilities would increase Romania's (and the Balkans') strategic importance to the Kremlin, which in turn might apply greater pressure for conformity on maverick Romania.

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Yugoslavs Push Meeting Between European  
Socialist and Communist Parties

Belgrade is trying to organize an experimental meeting of socialists and communists from Europe and the Third World.

The project is an outgrowth of Belgrade's participation in preparations for a European communist conference. Tito's party, like other communist mavericks, has long been in the vanguard of those wanting to establish multilateral contacts between communists and other leftists. Belgrade hopes that the blending of different viewpoints would help to dilute Moscow's grip on the communist movement. Such gatherings have been regularly proposed by the independent parties at the preparatory sessions for the European Communist gathering.

Moscow apparently had given its blessing to the experiment in order to explore possibilities for increasing its influence in Western Europe. The Soviets and their loyal East European allies, however, are primarily concerned about insulating their regimes against Western "bourgeois" ideologies. This, plus a strong sense of caution among West European socialists, has worked against any significant progress in establishing international contacts between socialists and communists. In addition, a session in Belgrade could degenerate into a forum for controversial positions of individual parties.

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The theme of the socialist-communist get-together is to be a discussion of ways to improve European contacts with the Third World. The Third World angle is a superficial evasion of the meeting's real purpose--establishing new contacts between European socialists and communists--that was introduced to lure reticent socialists. In fact, Third World participation appears to be minimal; Belgrade has so far invited only the Algerians.

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Soviet Uranium Enrichment Sales

Moscow has concluded at least 17 individual contracts with nine West European countries to supply uranium enrichment services. The contracts total almost 27 million separative work units, sufficient for ten years' operation of approximately 25 1,000-megawatt nuclear power reactors. Under the contracts the customer supplies natural uranium which is enriched in the USSR and then returned to the customer for use as nuclear fuel. The most recent contract was concluded early this year with Britain's Central Electricity Generating Board.

Based on a sliding scale of discounts keyed to the US price of enrichment services, the value of Soviet sales so far is estimated at almost \$1.5 billion. Now that US enrichment capacity is fully committed, however, and production from new facilities is expected to be more expensive, the Soviet contracts may be worth substantially more. Under normal trading practice, the enrichment customer pays the going price at the time of delivery.

Although the current economic situation has put a squeeze on nuclear power development programs in many nations, existing and currently planned enrichment capacity in the West probably will be insufficient to meet world demand by the mid- to late-1980s. The Soviet Union stands ready to fill the gap, at least temporarily. In addition to contracts already signed, Moscow has given options or made offers to supply enrichment services that would increase its business more than two and a half times.

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Soviet Foreign Trade Ministry Reorganizes

The USSR Ministry of Foreign Trade is under fire from officials of the State Committee for Science and Technology for its alleged incompetence in handling so-called "compensation" deals with Western companies. As a result, it is reorganizing its Main Administration for the Import of Machinery and Equipment from Capitalist Countries

25X1 [redacted] Soviet officials are hopeful that the restructuring will reduce the amount of negotiating time required before contracts are signed.

Recent reporting from the US embassy in Moscow reveals that the administration was subdivided after its chief, V. N. Sushkov, was promoted to the post of deputy foreign trade minister in February. As a deputy minister, Sushkov presumably has overall responsibility for compensation agreements. Under his jurisdiction there apparently are now two main administrations: the Main Administration for Compensation Projects and Importation of Machinery and Equipment from Capitalist Countries, headed by A. L. Stesnov, and a second administration (exact title unknown) that will handle other imports and non-compensation agreements. The acting chief of the latter is I. Ya. Cherskov. Stesnov's administration is to handle all large deals which may develop into compensation projects. He has two deputies; S. V. Tsukanov, who specializes in heavy industry and ferrous and non-ferrous metallurgy, and A. S. Ponomarev, who deals primarily with chemicals and light industry.

All the principals in the reorganization worked for Sushkov in the old main administration. Stesnov, Cherskov, and Tsukanov served as his deputies, and Ponomarev was in charge of a department for import of machinery and equipment.

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